GOING GLOBAL MEANS CLEAN WATER FOR GUANGZHOU

by Curt Cultice
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As an expert in financing and building wastewater treatment systems, Viet Ngo knows what it takes to quench the thirst of his customers. And that's good for the residents of Guangzhou, a major metropolitan center in Southern China.

Ngo is President and CEO of Lemna International, Inc., a Minneapolis, Minnesota firm, specializing in the financing of major infrastructure projects. Lemna recently completed a six-year quest culminating in the signing last November of an agreement for the construction of a water treatment plant in Guangzhou. The initial cost of the project is estimated at US$120 million.

"This is the first joint project between an American company and a Chinese partner for a water treatment project, so obviously we are very excited," says Ngo. "It has taken a great deal of planning and patience to bring this to fruition."

Photo courtesy of Lemna International, Inc.

Mr. Viet Ngo, Chairman of the Board of the joint venture, and Mr. Deng Han Ying, Deputy Director of the Guangzhou Municipal Construction Commission, shake hands at the signing ceremony for the service contract.

The joint venture, known as the Guangzhou Lemna Xilang Wastewater Treatment Co., Ltd., is a cooperative effort between Lemna and the Guangzhou Tunnel Development Authority.

When completed, the new system will add 400,000 cubic meters per day of municipal wastewater treatment capacity to the city's sewage treatment efforts.

"In China, local and national authorities have recognized the link between public and health protection, environmental protection, and the willingness of foreign investors to contribute to key local projects," said Ngo. "Guangzhou will benefit economically from the public display of its aggressive program to protect drinking water sources and its general aquatic environment."

Guangzhou, known in the West as Canton, is a 3.5 million-person city that has been the major international trade center for Southern China for the past 1,000 years. Located about 187 km by train up the Pearl River from Hong Kong, it has been one of the fastest growing large cities in China for the last few decades.

According to Ngo, Guangzhou has faced serious problems in producing fresh drinking water due to lack of sewage treatment facilities and the heavily polluted Pearl River, the city's main source of drinking water.

With a growth rate projected at more than 13 percent annually for the next five years, Guangzhou currently has just one sewage treatment plant treating 8 percent of the city's wastewater, and a second plant under construction.

Under the agreement, Lemna International and its Chinese partners will construct a third sewage treatment plant in Xi Lang in Guangzhou. Upon completion, the three plants combined will process about one-quarter of the city's sewage.

The City of Guangzhou began looking for a company that would invest private equity in the construction of a water treatment facility in 1993. Ngo says his firm was interviewed and ultimately selected for the project.

Over the next few years, Lemna worked closely with the U.S. Department of Commerce's U.S. and Foreign Commercial Service Offices in Beijing and Guangzhou, the Advocacy Center Network and the Office of Environmental Technologies.

"The Commerce Department played a key role in pushing the project along," says Ngo, "The Chinese government was greatly motivated by the prestige brought to bear by the visits of senior Commerce officials, including Secretary Daley's visit to China last April."

The Xi Lang treatment plant is central to the city's overall commitment to build a total of ten new wastewater treatment plants over the next few years—with the goal of protecting the raw water supply for the major manufacturing and trade center of southern China, and the partial remediation of the surface waters of the Pearl River estuary and upper Victoria Bay, Hong Kong.

Photo courtesy of Lemna International, Inc.

Lemna's Waste Water Treatment Project in Iskenderun, Turkey. The Xilang project will be a similar system.

"We do everything to make the project come into being, including arranging financing, engineering, planning, technology and procurement," says Ngo. "Once the project gets underway there will be dozens of contractors involved."

The Xi Lang plant in will be constructed in two phases. The first stage, expected to be completed in two or three years, will treat 52 million gallons of wastewater per day, and cost US$120 million to complete—with about one-third of the financing originating from Guangzhou and two-thirds from foreign sources. The second stage, scheduled for completion in 2005, will treat an additional 52 million gallons of wastewater.

"This project represents a major milestone in helping U.S. firms gain a foothold in an environmental market where our international competitors are very active," says Ngo.

"U.S. businesses will supply about $18 million in equipment exports and about $2 million in environmental services exports for the two-phase project."

The project is an important step for Ngo, who first started his company as an environmental design-engineering firm in 1983. The firm now employs a staff of several hundred, many of whom are based overseas.

With the signing complete, Ngo expects to iron out additional details and begin initial construction of the treatment facility by next year.

"The signing was a great day for the U.S. and for China," he says. "We hope this project helps lay the foundation for increased commercial cooperation between our two countries." ■

Mr. Ngo accompanied the late Commerce Secretary Ronald H. Brown to China in 1995 and served as member of the Executive Committee of the U.S.-China Business Council, where he represented U.S. environmental business interests.